

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics.

**HOW PREMIUM BRANDS SHOULD DO TO UPGRADE AND MOVE  
TO A LUXURY STATUS**

The case of three Portuguese brands that successfully migrated from premium to luxury: Claus Porto, Josefina's and Vila Joya

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8<sup>th</sup> January 2016

### Abstract

Premium brands' upgrade process to luxury is a phenomenon still not well analysed. A literature review allowed assessment of what distinguishes premium and luxury brands. We inferred five propositions then tested through a case study research. The research investigated three Portuguese brands that successfully moved from premium to luxury - *Claus Porto*, *Josefinas* and *Vila Joya*. We conclude that acquiring social status is the most essential and difficult feature to deal with, when migrating from premium to luxury as it depends on voluntary and involuntary factors.

Keywords: *branding, luxury, premium brands, luxury brands*

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### Introduction

The luxury market is still wrongly perceived as combining luxury and premium brands without differentiating the concepts. There is a blurred general perception, or even unawareness, about the fact that *luxury* and *premium* are distinctive concepts. The lack of understanding why evolving from premium to luxury is so complex encouraged me to

investigate real cases in the Portuguese market, operating in diverse business sectors (e.i., personal and home care, fashion and hospitality) that successfully reached this goal.

Finding the deep origins about intriguing subjects and solutions for intricate problems were always a main incentive to pursue. My interest in luxury emerged from the fascination on how detailed creativity abounds in this sector as well as the proximity with a beloved domain of mine, Art. In this context, I decided to focus my dissertation on a rarely investigated subject: how premium brands should do to upgrade and move to luxury. To develop a coherent and logic reasoning along the process, the thesis is structured in three chapters: 1.) We start with a two-section literature review chapter, which introduces (1.1.) premium and (1.2.) luxury brand definitions used herein; 2.) We follow with the analysis of the insights from the literature review. In this second chapter, we propose (2.1.) a detailed assessment of the gap between premium and luxury brands and (2.2.) how a premium brand can migrate to luxury; 3.) In the third chapter, we present the case study research used in this work, subdividing it in three sections: (3.1.) a brief explanation on what consists the case study research method and how it was employed, (3.2.) the explanation of three cases that represent a successful premium brands' upgrade process to luxury: (A.) *Claus Porto*, a hundred-year personal and home care brand created by a north-country family, (B.) *Josefinas*, a recent ballerina shoe brand idealized by a young female architect and (C.) *Vila Joya*, the Portuguese boutique hotel which restaurant has ranked in the World's best 50 restaurants list and has been holding two *Michelin* stars for the longest period (3.3.) the research's main findings and inferences through a cross case analysis, comparing the three cases with each proposition inferred from the literature review.

## **Chapter 1. Literature Review**

### **1.1.) Premium Brands: Definition**

Premium relies on developing the best product of a category based on objective characteristics (Whiting, 2013; Kapferer & Bastien, 2012). The main goal is to enhance the product or service managing price/quality ratio by delivering the highest quality product or

service, adding a diversity of high-performance functionalities (da Silveira, 2014; Kapferer, 2015). The premium pricing model has a ceiling level (da Silveira, 2014) as the price is justified by the rational and functional value of the product or service. We can also observe that premium is an upward extension of the traditional marketing principles (Kapferer & Bastien, 2012) as consumers are encouraged to trade up - “to buy something (...) that is of higher value than the one [they] already have”<sup>1</sup>.

The *American Marketing Association* defines a brand as a “ name, term, design, symbol, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from competitors” (1960). A concern when managing premium brands is to respond accurately to the consumers demand, which explains how fundamental is to test the products or services before launching them in the market. The profitability of a premium brand is driven by the positive consumer’s approval which can be previewed in the appreciation and consensus rate that test results demonstrate (Wittig et al., 2014; Kapferer & Bastien, 2012). Being the best in something implies making a comparison of performances. This explains why the “essence of a premium brand positioning is the ability to claim being the number one brand in a given category and to furnish various offerings to proof and sustain this assertion” (Kapferer, 2015: 8). We can also infer from this statement that a premium brand should continuously claim its top quality in order to push up its price to the higher possible limit.

Following the definition of *premium* depicted above (da Silveira, 2014; Kapferer & Bastien, 2012; Kapferer, 2015), we herein propose to view *premium brand* as the best brand in its category, which means the one offering the highest quality, performance and versatility of functionalities. This attracts consumers due to the natural wish to purchase better quality items – trading up – but with a rational optimization of the money spent. It relies mainly on tangible qualities so premium brand’s focus is holding the most relevant comparative

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<sup>1</sup> (Cambridge Business English Dictionary, 2011:871)

advantage against competitors.

## 1.2.) Luxury Brands: Definition

Luxury is a concept that is not consensual in the literature. First, it carries a substantial intangibility. Second, the term “luxury” has been used in too many contexts. As a result, the concept of luxury brand frequently overlaps in the consumer’s mind with the concept of premium brand (Kapferer & Bastien, 2012). However, a research conducted in 2013 by *Added Value*, a branding consultancy firm, in partnership with the online magazine *Luxury Society*, found a consensus, from the point of view of the consumer, about the mandatory presence of a set of criteria in a luxury brand: timelessness, uniqueness, excellence in product and customer service, iconic communication, sensual aesthetic, brand soul and innovation and a strong load of personal interactions (Whiting, 2013). Kapferer (1998) (cited in Kapferer, 2015) considers another set of attributes necessary to be assumed as *luxury*: i) relevance of details; ii) increasing value as times goes by; iii) rare; iv) hedonic; v) very high quality objects and services; vi) sold at a price far beyond what their functional value would command; vii) source of self-reward and viii) image lift vis-à-vis some relevant others. We can infer from both authors that the mere communication of a high price is not an “automatic” synonym of luxury. Before the 20<sup>th</sup> century, luxury products were conspicuous; nowadays the luxury industry is a business of brands as a consequence of democratization and increase in spending power (Wittig et al., 2014). The luxury product has to be exquisite but the main focus of a luxury brand should be on creating and nourishing a meaningful brand identity.

Brand identity traditionally refers to the foundations of the brand providing direction and meaning for the brand and its stakeholders (Aaker, 1996). In the case of luxury brands, the brand identity is an outcome of how brands keep on enduring. Structural elements such as i) founder’s vision; ii) artistic director’s inspiration; iii) heritage and cultural roots; iv) brand’s *savoir-faire* and flagship product flourish the brand dream (Kapferer, 2015). So, the brand

identity feeds the brand dream which enhances the superlative and unique brand essence. That is why luxury brands invest strongly on an original marketing strategy in order to remain incomparable. This instigates price insensitivity and inelasticity of demand, leading to an increase of gross margins and high profitability (Kapferer, 2015). Therefore, the world's most prestigious luxury companies have been developing and implementing a number of actions in the overall luxury brand value chain, to maintain the desirability of the luxury brand dream (da Silveira, 2014; Kompella, 2014). Based on these grounds, Kapferer and Bastien (2009) propose twenty-four management principles called “the anti-laws of marketing”, which follow opposite principles than traditional marketing. Those authors suggest that luxury brands managed under these “anti-laws” grow more than the average economic growth and are able to survive during a market crisis period. An overview of those principles is provided in **Appendix A**.

By analysing the above works on *luxury* (da Silveira, 2014; Kapferer, 1998, 2012, 2015; Kompella, 2014; Whiting, 2013; Wittig et al., 2014), we herein propose to view *luxury brand* as (a) *avant-garde* based on Art, (b) rare based on iconic flagship products, (c) an unforgettable source of pleasure (d) that everyone dreams about but only accessible by a few, and, because of that brings (e) feelings of exclusivity, privilege and social recognition.

#### **a) Luxury is *avant-garde* based on Art**

Luxury is strongly connected to Art as both domains defend the creator's willingness, the uniqueness of creations and the emancipation of culture (*Arts & Business*, 2012). One of the “responsibilities” of luxury brands is to dictate and embrace future trends (Proctor, 2009). In fact, luxury brands are not seeking to please and be easily accepted by today's consumer but to be an educator of tastes. A proof of vanguardism is the so-called “the classics” products that luxury brands have been developing. The most recent trend to sustain a luxury brand's vanguardism is called “artification” (da Silveira, 2014) which consists of implementing such creativity and irreverence in the luxury product that is itself perceived as a contemporary art

piece.

### **b) Luxury is rare based on iconic flagship products**

Icon is defined by the *Oxford English Dictionary* as a person or thing seen as a representative symbol or object of admiration and respect (Holt, 2004). Each luxury brand owns a unique *savoir-faire* in a specific domain, with a huge content of handmade production, which is passed down through generations (Mazars, 2014). Thereby allowing luxury brands to develop an iconic flagship product to which the luxury brand is immediately associated with. This arouses and sustains the luxury brand's uniqueness as the product becomes a social symbol (Kapferer, 2008).

Luxury brands make use of rare and excellent materials turning their products in scarce, peerless and long-lasting ones. The luxury product production relies on the country of origin honouring its *savoir-faire*. The consumer is not only buying a luxury product but at the same time purchasing a piece of the culture's country (*Albatross Group*, 2010; Shukla, 2011; Kapferer, 2015).

### **c) Luxury is a singular source of pleasure based on authenticity**

Being luxury is not only providing a memorable consumer experience (luxury for the self: substance) but also making a social statement approved by the elite (luxury for others: status) (da Silveira, 2015; Kapferer & Bastien, 2012). A luxury brand nourishes hedonism bringing not only individual pleasure to the consumer but also an enjoyable purchase moment including a thoughtful customer service. Consumers feel special as luxury brand's commitment to deliver happiness is a concern that even extends after the purchase (*Added Value*, 2013).

To assure that the experience is singular and authentic the overall value chain is completely controlled by the luxury brand remaining faithful to both luxury brand's identity and artistic director aspirations (*Deloitte*, 2015). The authenticity of the experience is mainly sustained by the heritage and culture of the luxury brand. Those are inner aspects of the luxury brand

identity. If a luxury brand management strategy is driven by heritage and culture, the more powerful and inimitable the luxury brand becomes.

**d) Luxury is a dream only accessible by a few**

The richer and more mesmerizing the brand dream universe is, the more irrational becomes the devotion of consumers sustaining and pushing up price insensitivity (Kapferer, 2015). The dream exists for everyone but just a few can access it. This inaccessibility is ensured by the creation of obstacles in the purchase cycle mainly by luxury brands control of distribution. For every luxury brand the purchase moment is the key to seduce and retain consumers. That is why they stick to an exclusive and restricted distribution. In fact, luxury brands can then assure its own pace of growing, keeping close to its consumers and make possible a loyal relationship (Kapferer & Bastien, 2012). Other obstacles that are created in the purchase cycle are for instance waiting lists, private membership and sky-high prices that grow infinitely.

The larger the gap is between the consumers who know, desire and spread out the luxury brand and those who are status-giving clients that can afford it, the more luxurious and desirable a brand is enhancing its distinctiveness and value (Dubois & Paternault, 1995 cited in Kapferer, 2015)

**e) Luxury is exclusivity, privilege and social recognition**

Humans are always looking for more than what they had before (Wittig et al., 2014). Abraham Maslow, an American psychologist, has demonstrated in his research "A Theory of Human Motivation" (1943), retrieved from International Journal of Business and Management Invention (2013), that the self-realization depends on the fulfillment of human needs and unconscious transversal and hierarchical desires. In fact, luxury flourished already in the Pre-Classical and Classical civilizations, due to the expression of the highest hierarchical social groups in extending its power, hedonism and wealth not only during lifetime but also afterlife (Wittig et al., 2014; Kapferer & Bastien, 2012).

A consumption ideology is increasingly substituting religion and politics in our society



(Hope, 1998: 37). In fact, consumption becomes an extension of the self and luxury becomes the offspring of social stratification and social elevation. By possessing the “right objects by the right brands” (Kapferer, 2015: 89), people build their own image and, consequently, upward their social position in the society’s hierarchy. A luxury brand carries status and that is why is desired for itself (Kapferer and Bastien, 2012: 262). That explains the intimate relationship between the consumer and the luxury brand. Therefore, the luxury brand owns a power that should be recognized. Brand testimonials, or advocates, are key persons to acknowledge the status of a luxury brand. A personality or expert in brand’s domain is approving the experience and status of the luxury brand when using a luxury brand publicly without being forced or paid (Kapferer & Bastien, 2012; Kapferer, 2015).

Analysing the above insights, we can infer that luxury is based on a self-reward principle. The goal is to enhance self-esteem, pure happiness, life’s celebration and social status without losing Human dignity (Kapferer & Bastien, 2012).

## **Chapter 2. Insights from the Literature Review**

### **2.1.) Why is it so difficult for Premium Brands evolve to Luxury? Analysing the Gap**

The previous chapter implies that premium brands and luxury brands are distinctive concepts. Each of them relies on different attributes, meaning that is not by just raising prices that premium brands upgrade to luxury. The complexity of this upgrading process is connected with the difficulty of premium brands to highlight intangible aspects, as these are what feeds the emotional devotion in which luxury is based. We can also mention that premium and luxury brands are managed by distinctive strategies. So, “luxury is not premium at its best” (Kapferer & Bastien, 2012: 42).

Luxury is the business model that most premium brands want to copy (Kapferer, 2015). The gap between luxury and premium is becoming narrower as the luxury codes are being imitated by premium brands, encouraged by the purchase power’s decrease in the current economic crisis (Maxwell, 2013; Kapferer & Bastien, 2012). One of the expressions of this

phenomenon is the surge of “premiumisation” which consists on ally the luxury multisensory aspects to the access and prices of a mass product (Maxwell, 2013). Furthermore, luxury is relative, and this is another factor that contributes to the blurring distinction between premium and luxury brands (Kapferer, 2015). The 2008 financial crisis originated a “two-speed world” in which the economy of emerging markets grew exponentially while the one of mature markets suffered (*Boston Consulting Group*, 2014). This context stimulate the emergence of wealthy society groups in countries such as Angola, Brazil, China and India that understands luxury consumption differently than in the developed countries. In emerging markets, a luxury purchase is driven by ostentation and the need to maintain and enhance face. Distinctly, western countries’ consumers use luxury to differentiate themselves (da Silveira, 2014; Wittig et al., 2014). These divergent perspectives led to a development of distinctive notions of luxury making brands to be perceived as luxury in some markets and premium in others (*Boston Consulting Group*, 2014; da Silveira, 2014).

Based on the review of the business oriented and academic literature (Baicoianu, 2013; *Bain & Company*, 2014; *Boston Consulting Group*, 2014; da Silveira, 2014; Kapferer & Bastien, 2012; Kapferer, 2015; Maxwell, 2013; Whiting, 2013; Wittig et al., 2014) we built the table below to present the differences between premium and luxury brands:

Table 1. Thesis’s author assessment of the distinction between premium and luxury brands

Distinction between Premium and Luxury Brands		
Premium Brands	Feature	Luxury Brands
<ul style="list-style-type: none"> <li>• Comparative</li> <li>• Always attentive to the progression of the competitors</li> </ul>	<u>Relationship towards Competitors</u>	<ul style="list-style-type: none"> <li>• Superlative</li> <li>• Incomparable</li> <li>• Unique</li> </ul>
<ul style="list-style-type: none"> <li>• Elastic demand</li> <li>• Follow consumers’ needs</li> <li>• Search for consumer’s approval doing tests before the launch</li> </ul>	<u>Demand</u>	<ul style="list-style-type: none"> <li>• Inelastic demand</li> <li>• Do not follow the consumers’ needs</li> <li>• Express the creator’s inspiration</li> <li>• Have an educator role as they shape future tastes</li> </ul>
<ul style="list-style-type: none"> <li>• Target multiple consumer segments</li> </ul>	<u>Consumers</u>	<ul style="list-style-type: none"> <li>• Narrow segment</li> <li>• Stick to the same consumer segment worldwide</li> <li>• Close relationship with the consumer</li> </ul>
<ul style="list-style-type: none"> <li>• Sensitive</li> <li>• Topped level (ceiling price)</li> <li>• The best price/quality ratio</li> </ul>	<u>Price</u>	<ul style="list-style-type: none"> <li>• Insensitive</li> <li>• Minimum threshold to be considered luxury</li> <li>• No maximum limit</li> </ul>
<ul style="list-style-type: none"> <li>• Based on rational and functional value</li> <li>• Price and function are correlated</li> <li>• Raise gross margins through minimum production costs</li> </ul>	<u>Pricing Power</u>	<ul style="list-style-type: none"> <li>• Based on intangible aspects and emotional bonds</li> <li>• Price and function are not correlated</li> </ul>

<ul style="list-style-type: none"> <li>• Developed regarding and illustrating the consumer segments' universe. This allows premium brands be more easily accepted</li> <li>• Culture is not a strategy priority as this feature is not a purchase decision choice driver</li> </ul>	<u>Culture</u>	<ul style="list-style-type: none"> <li>• Based on heritage, respecting the founder's aspirations and country's origin culture</li> <li>• Deeply connected to Art</li> <li>• Culture is a key driver for incomparability and dreamfulness</li> </ul>
<ul style="list-style-type: none"> <li>• Broad distribution</li> <li>• Many selling points</li> <li>• Do not request high distribution control</li> </ul>	<u>Distribution</u>	<ul style="list-style-type: none"> <li>• Exclusive and restricted distribution</li> <li>• Controlled by the brand</li> <li>• Online distribution is the new dilemma (e.g.: trying to control the counterfeiting websites; deal with the fast accessibility provided by internet)</li> </ul>
<ul style="list-style-type: none"> <li>• The communication goal is to inform and sell</li> <li>• The communication strategy relies on traditional marketing principles: target only the premium brands' consumers</li> </ul>	<u>Communication</u>	<ul style="list-style-type: none"> <li>• The communication goal is to be inspirational</li> <li>• One of the ways to expose luxury brands' identity</li> <li>• Targets everyone (non-consumers and consumers)</li> </ul>
<ul style="list-style-type: none"> <li>• High quality</li> <li>• High performance and versatile functionalities</li> </ul>	<u>Product / Service</u>	<ul style="list-style-type: none"> <li>• High quality</li> <li>• Avant-garde, rare and long-lasting</li> <li>• Thoughtful and personalized customer service</li> </ul>
<ul style="list-style-type: none"> <li>• A product for each consumer segment</li> </ul>	<u>Product Line</u>	<ul style="list-style-type: none"> <li>• A iconic flagship product with some variations</li> </ul>
<ul style="list-style-type: none"> <li>• Cost-effective production strategy</li> <li>• Reduce costs by factories delocalization</li> <li>• Fast production</li> </ul>	<u>Production</u>	<ul style="list-style-type: none"> <li>• Added value production strategy</li> <li>• Excellent and scarce materials</li> <li>• Craftmanship and unique <i>savoir-faire</i></li> <li>• Production relies on the country brand's origin</li> <li>• Slow production</li> </ul>
<ul style="list-style-type: none"> <li>• Do not embody social prestige</li> </ul>	<u>Status</u>	<ul style="list-style-type: none"> <li>• Embody social prestige</li> <li>• Function as a social marker</li> <li>• Brand testimonials acknowledge the luxury brands status</li> </ul>
<ul style="list-style-type: none"> <li>• Increase market penetration continuously</li> </ul>	<u>Business Growth</u>	<ul style="list-style-type: none"> <li>• Well-considered in order to preserve the exclusivity essence of luxury brands</li> </ul>
<ul style="list-style-type: none"> <li>• Short cycle</li> <li>• The purchase is easy to accomplish</li> </ul>	<u>Cycle of Purchase</u>	<ul style="list-style-type: none"> <li>• Long cycle</li> <li>• Time is the main obstacle in luxury (i.e.: waiting lists, minimum stock available in the store)</li> <li>• The purchase cycle is already inserted in the luxury experience</li> </ul>
<ul style="list-style-type: none"> <li>• Persuade a client to buy better quality products (trading up)</li> <li>• A reward for hard work but without sparing money for irrational reasons</li> </ul>	<u>Motivations of Purchase</u>	<ul style="list-style-type: none"> <li>• Hedonistic, self-reward, gift, celebration</li> <li>• Receive special treatment, feelings of exclusivity</li> <li>• Brings social status</li> </ul>
<ul style="list-style-type: none"> <li>• Near the residence or work place</li> <li>• A known localization</li> </ul>	<u>Place of Purchase</u>	<ul style="list-style-type: none"> <li>• The bigger flagship stores in the luxury <i>quartiers</i></li> <li>• Purchase in the origin country of the brands enhances the uniqueness of the experience and the products are perceived as trophies</li> </ul>

Source: Author, based on Baicoianu (2013); Bain & Company (2014); Boston Consulting Group (2014); da Silveira (2014); Kapferer & Bastien (2012); Kapferer (2015); Maxwell (2013); Whiting (2013) and Wittig et al. (2014)

## 2.2.) Propositions: How Premium Brands can successfully evolve to Luxury?

The table above (*Table 1*) shows that luxury and premium brand's concepts are not an extension of one another. However, some insights can be drawn from the literature to reach the process of migrating from premium brands to luxury. The analysis of the previous chapters enables us to build the following argument:

It is a common knowledge that a main goal in business is to be more profitable. We have demonstrated that the pricing power of a brand gets stronger as this brand develops strong

intangible drivers to enhance the willingness of the consumer to accomplish the purchase. This heart-driven buying process can only exist if it embodies a hedonistic moment that brings social prestige to the consumer. That is why a purchase encompassing those characteristics represents a tool to achieve a piece of happiness. The consumer's desire to acquire the brand is so powerful that any kind of obstacles to accomplish this purchase is overpassed. No matter how long and how hard it takes, the purchase gains the shape of a dream. That being said, the brand's main concern is to have the ability to continuously promote that dream.

Analysing this scenario, we may infer that building this form of dream can be a mean for premium brands upgrade to luxury. Based on the literature review, the herein luxury brand definition, the assessment of the distinction between premium and luxury brands and the exposed argument we propose that premium brands can successfully evolve to luxury if it complies with the following propositions:

***Proposition 1.*** *In order to become avant-garde, a premium brand should develop creations that are irreverent making the world perceive them as contemporary art pieces*

***Proposition 2.*** *To arouse and sustain luxury brand's uniqueness, a premium brand should adopt an iconic flagship product*

***Proposition 3.*** *To have a luxury brand's authenticity, a premium brand must value and be faithful to its heritage and culture in every management decision*

***Proposition 4.*** *In order to be perceived as an "inaccessible" brand, a premium brand must adopt a controlled and exclusive distribution*

***Proposition 5.*** *In order to acquire a luxury status, an external person(s), socially recognized as a role model in the brand domain, should use the premium brand publicly*

We employed a case study research methodology to test those propositions that may lead to a conclusion on how premium brands can upgrade to a luxury status.

## Chapter 3. Case Study Research

### 3.1.) Case study research methodology

#### a) Case study research definition

According to Bromley (1990), a case study is a “systematic inquiry into an event or a set of related events which aims to describe and explain the phenomenon of interest”. Case study is the preferred research method when the investigation focuses on a contemporary phenomenon in its real-life context, in which the boundaries between context and event are not obvious, pretending to understand, in depth, the “how” and “why” about that same subject in that conditions (Yin, 2009; Yin & Davis, 2007; Tellis, 1997). The main purpose of this method is to develop a theory applying an analytical generalization (Lipset et al., 1956) enabling knowledge’s development (Einsenhardt, 1989; Miles & Huberman, 1994; Soy, 1997). Case study’s common application is to explain causal links in real-life issues, which are too complex to be researched by other methods.

Our research question relies on investigating how premium brands can migrate to luxury. For that, we need to identify and analyse which kind of events, in the real-life context, are the levers for this process. We believe that our investigation is within the right applicability of case study research method.

#### b) Methodology

This work followed the procedures recommended by Yin (2009) for a case study research. In order to have an organized and standardized research process we made a case study protocol, as suggested by this author (**Appendix B**).

We used a multiple-case design that results on a more consistent and better grounded outcome than a single-case investigation and allowed doing a cross case comparison analysis (Herriot & Firestone, 1983 in Yin, 2009; Rose et al., 2015). We followed a literal replication, meaning that the selected cases have outcomes previously known and enable to predict similar results

and justify the propositions (Yin, 2009).

The screening of cases was developed by using the following criteria: i) brands which were initially premium and successfully upgraded to luxury; ii) “Portuguese origin”; iii) diversification of business sectors; iv) relevant awareness in the international market; v) accessible contacts inside the company and vi) prior knowledge about brand evolution. We selected three Cases – *Claus Porto*, *Josefinas* and *Vila Joya*. The theoretical propositions, presented in chapter two, revealed which evidence was essential to collect and established borders to the research. Accordingly, we focused on investigating the following aspects in each case: i) the premium brand’s foundation; ii) heritage; iii) culture; iv) core product; v) distribution; vi) communication; vii) awareness in the national and international market; viii) relationship with Art, media and elite. The data collection was based on triangulation: a corroboratory strategy in which the goal is to confirm the same fact of a phenomenon by using multiple sources of evidence (Denzin, 1984 cited in Tellis, 1997; Yin, 2009). This process not only allows investigating a broad range of evidence but also results in more convincing and accurate conclusions (Yin, 2009). Amongst the varied sources of evidence we used public documentation, archival records, physical artifacts, in depth interviews, and visits to company headquarters. The data collected for each case can be checked in the case study evidence context document attached on **Appendix C**.

We conducted qualitative in depth interviews with the brand’s founder or his/her successor in each brand’s company headquarters for a better understanding of the environment and organizational culture. We interviewed: i) Aquiles Brito, great-grandson of the *Ach Brito* founder and current president of the company at the headquarters and factory near Oporto on 26<sup>th</sup> November 2015 (3h30min); ii) Filipa Júlio and Maria Cunha, founders of *Josefinas*, at its Braga headquarters on 13<sup>th</sup> November 2015 (1h45min); and iii) Joy Jung, daughter of the founder of *Vila Joya*, and Chef Dieter Koshina, the two *Michelin* stars chef in charge of the

restaurant of *Vila Joya* since September 1991, at the *Vila Joya*'s hotel on 27<sup>th</sup> November 2015 (4h15min). The interview guide for each interview is enclosed in **Appendix D**.

The within-case analysis was essential to generate insights (Gersick, 1988; Pettigrew, 1988 cited in Eisenhardt, 1989). This tactic consists of doing a detailed description report of each case. We also present cases chronological structure to detect the key events and analyse the presumed drivers that help explaining how and why the three investigated premium brands had successfully migrated to luxury. Therefore, the within-case analysis conferred us strong arguments to make causal inferences that can be meaningful and generalizable (Miles & Huberman, 1994; Yin, 2009). Our cross case analysis followed a tactic suggested by Eisenhardt (1989): select dimensions and explore the similarities and differences between cases findings related to these dimensions. In this investigation, the five theoretical propositions (Chapter 2) were the dimensions of analysis.

### **c) Assessment of the case study research's validity**

Le Compe and Goetz (1982) (cited in Brink, 1993) stated that validity in research is concerned with the accuracy and truthfulness of scientific findings. An investigation should confer its quality by succeeding in four common tests that are widely used to evaluate the validity of an empirical social research: construct validity, internal validity, external validity and reliability (Yin, 2009). Based on Brink (1993), Miles & Huberman (1994), Neuman (2000) and Yin (2009), we built Table 2 to which present the four validity tests and procedures used in this research to assess each type of validity.

*Table 2.* Assessing the research's validity: definition and case study tactics herein the investigation

<b>Assessing the Research's Validity</b>			
<b>Tests</b>	<b>Theoretical Definition</b>	<b>Procedures used in the research to assess each type of validity</b>	<b>Validation</b>
<b><i>Construct Validity</i></b>	Is concerned with the development of sufficiently correct measures for the concepts being studied	Multiple Sources of Evidence  Triangulation Process	<ul style="list-style-type: none"> <li>• Allows to investigate a broad range of issues</li> <li>• Results in more convincing and accurate conclusions due to the use of data triangulation process</li> </ul>

<b>Internal Validity</b>	Addresses whether causal relationship variables are properly demonstrated	Qualitative Research Design	<ul style="list-style-type: none"> <li>• Allows to understand a phenomenon happening in real-life context</li> <li>• Data is collected close the “inside agents” of the phenomenon in investigation</li> <li>• Preserves a chronological flow leading to assess causality (Miles &amp; Huberman, 1994)</li> <li>• The best strategy to test hypotheses (Miles &amp; Huberman, 1994)</li> </ul>
<b>External Validity</b>	“External validity addresses the degree or extent to which [such] representations or reflections of reality are legitimately applicable across groups “ (Denzin, 1970 cited in Brink, 1993)	Use of propositions based on previous theory (Chapter 3, Section 3.2:13)	<ul style="list-style-type: none"> <li>• The conceptual ground in which the propositions are based on is the universe of generalization of findings (Yin, 2009)</li> <li>• Multiple-case adds confidence to the outcomes as it allows to determine how robust the finding holds (Miles &amp; Huberman, 1994)</li> </ul>
<b>Reliability</b>	“...dependability or consistency of the measure of a variable” (Neuman, 2000,p.192) Indicates that the study can be repeated with the same results, minimizing errors and biases	Case Study Protocol (Appendix B)	<ul style="list-style-type: none"> <li>• Organizes and standardizes the research process as it is a multiple-case study</li> </ul>
		Case Study Evidence Context (Appendix C)	<ul style="list-style-type: none"> <li>• Document all the data helping to keep the focus on the investigation</li> <li>• Minimizes error and bias</li> </ul>

Source: Author, based on Brink (1993), Miles & Huberman (1994), Neuman (2000) and Yin (2009)

### **3.2.) Cases: *Claus Porto*, *Josefinas* and *Vila Joya***

#### **A. *Claus Porto***

##### **a) The brand’s foundation and evolution**

*Claus Porto*, founded in 1887, is a Portuguese’s home and personal care brand with five collections - *Deco*, *Classico*, *Fantasia*, *Aqua de Colonia* and *Musgo Real* (prices range between 10€ and 75€) - which core product is a natural perfumed soap (**Appendix E**). *Claus Porto* belongs to *Ach Brito*, an Oporto family business company that was founded in 1918 by Aquilles and Affonso Brito. The brand initially belonged to *Claus & Schweder*, the first Portuguese perfume and soap factory, created by the homonym German businessman in 1887 (Brito, 2015). In 1919, due to the politic implications of World War I, *Claus&Schweder* was auctioned and *Ach Brito* acquired the company. Aquilles Brito was a visionary man and understood the huge value of the brand *Claus* as its authenticity, *chic* and finest quality were already recognised in several international perfumery fairs (*Ach Brito* museum, 2015). A



litography business was added in 1953 which was responsible for creating original hand-painted labels for *Ach Brito* soaps, and other Portuguese companies, but clearly influenced by the strategy and products of international perfumers, namely French and English (Brito, 2015). After a recessionary period in the 80's, Aquiles de Brito, founder's great grandson, 21 years old and in a heart-driven gesture, purchased the 50% shares of his uncle, the family company president at the time (Brito, 2015).

In 1994, *Ach Brito* was restructured. That was when *Claus Porto* was projected to be a luxury brand. The strategy was based on preserving the brand attributes and its high quality as well as emphasizing the impressive brand heritage. It consisted in decisions such as: focusing on solid soaps, even if the market was declining 4% a year (Brito, 2015), and a limited number of scents; maintaining the hand-packaging process; keeping the "Portugality" of the product name; excluding the use of traditional advertising and add a few new scents and sizes to integrate modernity into the brand. But it was by using the historical archive of labels from the 19<sup>th</sup> century and develop scents inspired by them that *Claus Porto* created an unparalleled image and enhanced a special universe. In the 2000's, the brand reached international markets supported by partnership with exclusive distributors<sup>2</sup> in the luxury sector, which consequently choose luxury retailers<sup>3</sup>. In 2007, Oprah Winfrey choosed *Claus Porto* to add to her favourite brands list presented in the *Oprah Favourite Things Show*. This resulted of the successful PR strategy from *Lafco*, the brand's American distributor (Brito, 2015; Oprah, 2007). As a consequence, not only the USA became the most profitable market but also aroused the interest of national and international media, boosting the brand awareness worldwide (Imagens de Marca, 2014). In 2014, *Claus Porto* integrated the *Monocle Guide for Good*

<sup>2</sup> Distributor is an intermediary entity in a supply chain as is in charge to bring the producer's product to retailers, wholesalers and other resellers. Acts like a sales representative of the producer wherever is a small or large one. Promote actively the producer's product near resellers and provide services in the procurement process. (Author, based on Adams, 2013; Rousseau, 2008; Wigmore, 2013)

<sup>3</sup> "Retailer is any business enterprise whose sales volume comes primarily from retailing. Retailing includes all the activities in selling goods or services directly to final consumers for personal, nonbusiness use" (Kotler & Keller, 2012: p.447)

*Business* that acknowledged the brand as an entrepreneurial worldwide reference (Brito, 2015; Monocle, 2012).

*Ach Brito* was recently acquired by an investment fund who plans to turn the brand *Claus Porto* more exclusive by reducing the number of products and increase control on distribution (Brito, 2015).

### **b) Why the brand was born as premium?**

Analysing the *premium brand* definition (Chapter 1) as well as the assessment of differences between *premium* and *luxury brands* (Chapter 2) we infer that *Claus Porto* originally reflected a *premium brand*. We acknowledged the brand as the *best in the category* since its foundation. For more than hundred years, *Claus Porto*'s high quality and sophisticated packaging had been recognized.

### **c) How the premium brand successfully migrated to a luxury status?**

The most recent *Claus Porto* strategy plan goes along with the luxury brand management principles (Appendix A). Following the *luxury brand* definition (Chapter 2) *Claus Porto* became: i) *avant-garde, rare and singular*: the revival of the strong brand heritage, through the application of the historical label archive, and the respect of the culture evolving since the 19<sup>th</sup> century unleashed an incomparable brand proud and faithful to its origins. The decision to focus on solid soaps honoured the *savoir-faire* of 130 years; ii) *desired but accessible by a few*: the brand dream flourished through the scent quality, label and packaging which the luxury market and media recognized as inimitable. The awareness and credibility's increase was due to the internationalization strategy which grew based on a deliberated selection of a few exclusive distributors; iii) *a social marker*: when Oprah Winfrey experienced and loved *Claus Porto*, her personal endorsement advocated the brand's authenticity which instigated social prestige and also awake media and elite's curiosity.

## ***B. Josefinas***

### **a) The brand's foundation and evolution**

*Josefinas* is a 100% Portuguese handmade shoe brand in the market since 2013 (**Appendix F**). The brand core product is a classic ballerina, handmade and entirely in leather, with the particularity that the elastic around the shoe is adjustable to the consumer's feet as it happens in a dancer shoe. Prices range between 95€ and 3.369€ (*Observador*, 2015). The heritage of the brand is based on the Filipa Júlio's, the founder, childhood universe: her grandmother, Maria Josefina, used to take a stroll with her around Oporto, and take her to the ballet classes. Her grandfather was a shoemaker (Júlio, 2015). *Josefinas* is inspired by the ballet dancer's imaginary universe: the femininity, the elegance, the fierceness and the comfort of the dance shoes reflected to the classic model of ballerinas.

In 2012, Filipa Júlio, 32 year-old Portuguese architect, decided to expose her business idea in a national contest and she made acquaintance of Maria Cunha, a manager at *Bloomidea*, a business digital consulting company and jury at the event. They obtained an initial investment of 30.000 € (*Negócios*, 2013) and after a year of several trials, they found a small shoemaker factory, near *Josefinas* headquarters in Braga, to produce their prototype's with the extreme quality of Portuguese leather. In 2013, the first collection was released and it was presented to Portuguese fashion bloggers such as Maria Guedes (Júlio, 2015). From 2014, irreverent collections came up. Each of them introduces a reiventon of the ballerina world inspired by fairytales, iconic cities and female iconic personalities. In that same year, Portuguese and international lifestyle magazines, such as *Bazaar*, *Vogue* and *Elle* among others, refer *Josefinas* in their editions. In 2015, the most famous bloggers in the world such as Chiara Ferragni, Kristina Bazan and trendsetter Man Repeller (Leandra Medine) accepted to endorse *Josefinas*, among hundreds of other brands requests. Furthermore, the activist Gloria Steinem gave her name to complement a collection that sponsors the *WomenxWomen* organization

(*WxW*, 2015). In the end of 2015, sales almost duplicated from 2013 (*Observador*, 2015) and the international markets, namely the USA one, represented already 35% of the total sales volume. *Josefinas* sells exclusively through its online shop. Therefore, the brand is dependent on word-of-mouth. That is why *Josefinas* bets strongly on a huge and creative presence in social media tools, already applauded by *Instagram* itself<sup>4</sup>, and a thoughtful personalized customer service (Público, 2014). *Josefinas* wants to be perceived as a brand that fights for women empowerment and wants to make a statement to become a worldwide reference of ballerinas (Cunha, 2015).

### **b) Why the brand was born as premium?**

Based on the *premium brand* definition (Chapter 1) and the assessment of differences between *premium* and *luxury brands* (Chapter 2) we consider *Josefinas* was born as a *premium brand*. This assertion is grounded on the following factors: i) *being the best of the category*: the product has an outstanding quality and adds a useful functionality (the elastic around the ballerina) which appeals consumers trading up; ii) *highlights the rational value*: the first collection design presents a well-known classic model being easily accepted by a general audience and giving priority to the functionality of the shoe (i.e.:comfort in walking).

### **c) How the premium brand successfully migrated to a luxury status?**

Analysing the brand's evolution chronology, the *luxury brand* definition (Chapter 1) and its management principles (Appendix A), *Josefinas* conquered a luxury status. *Josefinas* changed to i) *become avant-garde, rare and singular*: while the brand did never loose focus on guaranteeing a consistent high quality product, it has been creating collections with irreverent and trendy designs, with unique universes, making their shoes seen as contemporary art pieces. *Josefinas* made its statement of *savoir-faire* by creating the most expensive ballerinas

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<sup>4</sup> Instagram delivers to the profiles that integrate the principles of the company the following message of appreciation: "Thank you for being an important part of the Instagram story ". In 2014, *Josefinas* was the first Portuguese brand to being recommended and to achieve such recognition (*Josefinas*, 2014)

in the world priced 3.369€; ii) *be desired but accessible by a few*: the brand leveraged an emotional bond with the consumer through keeping an exclusive online distribution, personalizing its product deliveries and emphasizing its culture and heritage by creating inspiring online brand content; iii) *be a social marker*: Josefinas acquired social prestige through the continuous recognition from powerful bloggers and known entities in the fashion world and powerful bloggers, who dictate trends and rate brands. So, it could legitimate the increase of its pricing power.

### C. Vila Joya

#### a) The brand's foundation and evolution

*Vila Joya* is a small luxury boutique hotel (room price per night ranges between 230€ and 2.300€), a two *Michelin* stars restaurant (price for meal around 100€) and spa, founded in 1980, in Albufeira by Claudia Jung (**Appendix G**).

In 1978, Claudia and Klaus Jung, Germans, bought their own family vacation house in Galé, Albufeira (*Dinheiro Vivo*, 2015; Jung, 2015). In 1982, Claudia named the house *Vila Joya*, a reference to her daughter's name Joy, and opened it to tourism (*Público*, 2015). In the 80's, it was difficult to find where good hotel and good restaurant services could be provided by the same entity and Claudia wanted to achieve this goal (Jung, 2015). Claudia's management strategy was key to bring an uncommon spark to the brand: feeling her instincts, heart and stomach to make decisions to keep *Vila Joya* as a home, and not as an hotel. Being a perfectionist and found on details, she put her passion for the region and for *Vila Joya* itself in every piece of the hotel (Jung, 2015).

She was passionate about food so the restaurant has always being a priority (Jung, 2015). In September of 1991, Claudia invited her Austrian friend Chef Dieter Koshina to be in charge of the restaurant. Both worked together to invest in a well equiped kitchen, using only the finest and fresh products of the region (specially fish) and having the best cook trainee team

(Koshina, 2015). Koshina developed a cooking which illustrates: his world's vision, the Portuguese people, traditions and nature; and the Claudia's love for tenderness and beauty (Koshina, 2015). In 1995, *Vila Joya* was awarded with its first *Michelin* star. In 1997, Claudia passed away. The second *Michelin* star was obtained in 1999 thus becoming the first Portuguese restaurant to hold such recognition and maintaining it for already twenty years. In 2003, Joy Jung, with 26 years old, became the "passionate owner" and manager of *Vila Joya*. Joy followed her mother's instinctive management strategy and focused on finding the most irreverent ways to revive the tenderness that defines *Vila Joya* (Fugas, 2015). Until Joy's management, *Vila Joya* was dependent on the word-of-mouth and its clients were mainly German. So Joy invited international journalists to visit "her home", visited hospitality fairs and partnered with specific hotel agencies to spread international awareness. In 2007, Joy and Chef Koshina introduced the *Tribute to Claudia Gourmet Festival* as a way to revive the founder's vision and *Vila Joya's* origins, but also place Portugal in the luxury gastronomy agenda (*Festival Vila Joya*, 2015). The festival has already eight editions, each of one has a specific theme that is inspired by Claudia. The most prestigious chefs are invited to gather at *Vila Joya*, usually for a week, to cook special dishes for the occasion (Fugas, 2015). From 2011 to 2013, *Vila Joya* was awarded as the World's leading boutique resort and Europe's leading boutique hotel (*World Travel Awards*, 2015). In 2012, *Vila Joya* was the first and, until now, the only Portuguese restaurant ranked in the first fifty places of the World's 50 best restaurants list by the *Restaurant* magazine (*World's 50 Best Restaurants*, 2015). Joy's main concern is how to find more irreverent and avant-garde to enhance the incomparability of *Vila Joya*.

#### **b) Why the brand was born as premium?**

*Vila Joya*, hotel and restaurant, was always managed as a whole universe. When it was founded it, was strategically designed to be a good hotel and a good restaurant, a concept rare

in the 80's. Based on the *premium brand* definition (Chapter 1) we may state that when founded the brand was the *best in the category* as its focus was to assure high quality in the two services. The brand encouraged consumers to trade up, due to the versatility of the brand and the quality of the experience.

### **c) How the premium brand successfully migrated to a luxury status?**

Reviewing the brand's evolution chronology, we acknowledge that the Claudia's instinctive management strategy revealed to follow the anti-laws insights (Appendix A). Thus, *Vila Joya* progressively upgraded to luxury as it became: i) *avant-garde, rare and singular*: a rich and extremely detailed creativity led the brand to be respected by the industry and even copied by *premium hospitality brands* (Jung, 2015). Managing *Vila Joya* as a family house and never conceding to become commercial made the brand incomparable. Its ability to reinvent itself is unique; ii) *a singular experience*: the decision to have an exceptional chef that would respect the founder's vision and understand the magic of the place leveraged *Vila Joya* to go up to a luxury level; iii) *accessible by a few and a social marker*: The consistent and regular recognition of the luxuriousness of *Vila Joya* by the most prestigious hospitality and gastronomy industry entities such as the *Michelin* stars team made *Vila Joya* an international reference and the best of the best in the sector. This legitimates the brand's pricing power raise. In order to preserve the dream, it was necessary to create artificial inaccessibility such as through limited number of meals. The experiential luxury industry has been growing fast (*Bain & Company*, 2014) as multi-sensory experiences are increasingly valued. *Vila Joya* offers an extremely exclusive experience. *Vila Joya's* clients become part of the restricted number of people that lived that experience which gives them status.

### **3.3.) Main Findings and Insights: Cross Case Analysis**

The table below (*Table 3*) exposes the most relevant findings regarding the propositions inferred from Chapter 2:

Table 3. Cross Case Analysis

Cross Case Analysis			
#	Proposition	Analysis	Status
<u>1</u>	<i>In order to become avant-garde, a premium brand should develop creations that are irreverent making the world perceive them as contemporary art pieces</i>	The three cases revealed that irreverence is connected to how brand's founder, or successor, defend the brand identity along with a desire to make the brand be distinctive. This encourage the three brands to explore a creative path that is recognized by the sector experts as unprecedented creations. The three brands rely a lot on the vanguardism of creations to capture the attention of the elite and cause a word-of-mouth's spread. The incomparability is sustained and increases the gap between desire and access.	Confirmed
<u>2</u>	<i>To arouse and sustain luxury brand's uniqueness, a premium brand should adopt an iconic flagship product</i>	The three brand's founder, or successor, claimed their belief in delivering an iconic flagship product as they stick to the brand's heritage and <i>savoir-faire</i> . Also, they subtle and progressively introduce modernity with a few reinventions of the iconic product. They all mentioned in the interviews that is the external world that refers their flagship products as icons - <i>Claus Porto</i> soaps; <i>Josefinas</i> ballerinas; <i>Vila Joya</i> gastronomy - as there is an immediate association product/brand, due to the rich authenticity present in every feature.	Confirmed
<u>3</u>	<i>To have a luxury brand's authenticity, a premium brand must value and be faithful to its heritage and culture in every management decision</i>	The founder's emotional and personal motivation to create the brand is strongly present in the way the three brands are managed. All of them want to inspire the consumers by cherishing their heritage (i.e: <i>Claus Porto</i> soaps' packaging; <i>Josefina</i> 's brand content online; <i>Vila Joya</i> 's gourmet festival). They keep evolving following the founder's values and are not influenced by the increase of customers that is caused by the boost of the worldwide brand's awareness. The three brands invest in bringing a singularity in each detail of the product, or service, joined by a carefully planned customer service. Both aspects assure pleasure to the consumer by living an inimitable experience as is based on the brand's authentic culture universe.	Confirmed
<u>4</u>	<i>In order to be perceived as an "inaccessible" brand, a premium brand must adopt a controlled and exclusive distribution</i>	The three brand's founder, or successor, revealed that the value chain is controlled by the brand. They stated that having the most possible control on distribution assures the approach to consumers exactly as idealized by the brand and increases its desirability (i.e: <i>Claus Porto</i> soaps's sold by only a few luxury retailers; <i>Josefinas</i> 's exclusively sold online by the brand; <i>Vila Joya</i> 's restricted meals). Then, the experience takes an aura of inaccessibility making the consumer feel special and important. So, a trustable relationship is created and cherished, as the purchase moment is a motivation itself to complete the purchase. Also, the three brand's evolution show that they have their own growth pace and they did not loose their vision for keeping things "small and slow", nourishing luxuriousness.	Confirmed
<u>5</u>	<i>In order to acquire a luxury status, an external person(s), socially recognized as a role model in the brand domain, should use the premium brand publicly</i>	All three brands were congratulated by prestigious entities, from their sector, which turned to be essential events to conquer social prestige. Each brand had its own turning point to become desired by the elite: for <i>Josefinas</i> was the endorsement from the most known bloggers in the fashion world namely Chiara Ferragni; for <i>Claus Porto</i> was Oprah's personal recommendation in her show and for <i>Vila Joya</i> was hiring Chef Dieter Koshina which facilitated winning and keeping two <i>Michelin</i> stars for already 20 years. The three brands became social markers.	Confirmed

Source: Author (2015)

### Conclusion

The complexity of the brand's migration process from premium to luxury is proved by the outcomes of the case study research. We infer from the research that a variety of drivers (such



as brand identity, management decisions, product's singularity) should be taken in consideration as strongly influencing the migration process. In fact, only the combination of those drivers make possible the migration process. This is the reason why only a few premium brands can conquer a luxury status. Yet, we deduct from three cases that premium brands can be successful in this migration process if they embrace the five propositions' insights that we propose in this research (Chapter 2). The theoretical dimension of the propositions illustrates the features that contribute to build a brand dream (Chapter 2). The cross case analysis (Chapter 3), make possible to understand that acquiring social status, the sociological dimension of a luxury brand, is without any doubt the indispensable, essential and the most difficult aspect to deal with. The studied brands encouraged exclusivity, inaccessibility and exposed its heritage and identity through their management decisions. We therefore suggest that is possible to have a part of control on how acquiring a luxury status. A fundamental turning point in this process was the advocacy role (not obliged or paid) of recognized experts and personalities in the brand's sector. This is something that although instigated by the brand is not fully controlled and depends on opinions and traits of the advocates.

We conclude that a premium brand can gain a luxury status and become a social marker through voluntary factors – the brand has to have: a high quality and an iconic flagship product; a strong passion and dedication from the brand's founder, or his/her successor, to cherish the authenticity of the brand and make it shine by careful management decisions (anti-laws insights) - and involuntary factors – the (non forced) recognition and appreciation by prestigious entities which make the social elite curious and lead it to embrace the brand.